

RESOLUTION NO. RS2019-1644 (VERCHER) – This resolution would approve an economic and community development incentive grant to be made to the Industrial Development Board for the benefit of Amazon, Inc.

Amazon is an online retailer and web services company headquartered in Seattle, Washington, with thousands of employees worldwide and over 200,000 employees in the U.S. It has announced its intention to build an Operations Center of Excellence within Davidson County.

Pursuant to Chapter 2.210 of the Metropolitan Code of Laws (MCL), the Metropolitan Government is authorized to make incentive grants to “qualified projects” and “qualified companies” if the location of such qualified project or company is “expected to result in the creation of at least five hundred additional jobs” in Nashville during the first five years of operations or expansion. Under MCL section 2.210.010, a “qualified project” means a corporate headquarters or a technology firm located on property controlled by the Industrial Development Board. The proposed project would consist of approximately 500,000 square feet of office and associated space at the intersection of Church Street and 10th Avenue North. The Amazon operations center is described as a “regional headquarters” in the resolution and grant Agreement.

The amount of any incentive grant is determined by multiplying the average number of “new full time equivalent employees” within the boundaries of the metropolitan government by an amount “up to” five hundred dollars. Pursuant to the Metro Code, the actual amount and duration of the grant should be determined by taking into account (1) the number of jobs created, (2) the amount of revenue anticipated to be received by Metro as a result of the location and operation of the company, and (3) other economic and community development opportunities the company is expected to create, among other considerations. (Section 2.210.020).

This resolution would approve a grant to Amazon in the amount of \$500 per year per qualifying job at their new office as a tenant at Nashville Yards within Davidson County. The term of the grant would be for seven years from the commencement of the project. Amazon has projected the creation of 5,000 jobs in Nashville, with 90-95% of those jobs above the median annual wage in Metro’s metropolitan statistical area (MSA). (The annual median wage for Metro’s MSA is \$47,110.) For purposes of this grant, the qualifying jobs total would include individuals who have worked for Amazon, any of its successors, or any entities controlled by it (an “Amazon Entity”) for at least 26 weeks during the grant year, working an average of 36 or more hours per week, and who are based at the Project. In addition, the qualifying jobs total would include individuals who have performed services for an Amazon Entity through employment outsourcing or similar arrangement for at least 26 weeks during the grant year, working an average of 36 or more hours per week performing services for an Amazon Entity, who are based at the Project, and who are paid in excess of the most recently published average wage for “All Occupations” in Metro’s MSA according to the U.S. Bureau of Labor Statistics. However, jobs performed for functions previously filled by an individual based at another Amazon Entity in Davidson County as of November 2, 2018 would not be included.

Pursuant to recent revisions to Section 2.210.030 of the Code, the Mayor's Office of Economic and Community Development must solicit from companies seeking grants a "project proposal" that addresses:

- (1) the type and number of jobs created, including whether those jobs will be temporary or permanent, and the number that will be filled by Davidson County residents;
- (2) a workforce plan disclosing whether the project will involve use of temporary or staffing agencies, the Nashville Career Advancement Center, or other third parties; whether individuals hired will be employed by the company or by subcontractors or others; and the wages and benefits offered, with a comparison of those wages to average wage levels in Davidson County;
- (3) whether the project will involve use of apprentices from programs certified by the U.S. Department of Labor; and
- (4) the number and type of violations assessed by OSHA or TOSHA, as well as any employment or wage-related legal actions filed against the company or any contractor or subcontractor.

Under the Metro Code, this information must be presented to Council prior to the Council's vote on any incentive. (Section 2.210.030.B). The Amazon Project Proposal is attached as Exhibit E to the ordinance and is likewise attached to this Analysis. The requisite information appears to be included, although Amazon does not explicitly state whether employees will be employed through subcontractors. Construction phase information is deemed inapplicable because Amazon will lease rather than construct their facilities location at Nashville Yards.

Fiscal Note: The terms of the proposed agreement would give an economic incentive grant of \$500 to Amazon per qualifying job per year for the term of seven (7) years through the IDB, as authorized by Ordinance No. BL2010-806. The value of the incentive package, assuming creation of 5,000 new jobs for each grant year, could total \$2,500,000 per year, with a cumulative seven-year total of \$17,500,000.

Amazon would have the right to specify the date on which the grant term would commence. It is presumed that Amazon would not trigger the start of the proposed grant period until the number of qualifying jobs has substantially reached this number. This would maximize the amount of the grant dollars they would receive pursuant to this agreement.

It should be noted that the projected five thousand new jobs in no way constitutes a cap to the potential grant amounts. If the number of qualifying new jobs is higher than 5,000, the grant amount would also be increased, using the same \$500 per new job valuation.